

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

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Contract No. 14-06-200-7858A-LTR1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
CITY OF TRACY
PROVIDING FOR PROJECT WATER SERVICE
FROM THE DELTA DIVISION

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble	1
	Explanatory Recitals	1
1	Definitions	5
2	Term Of Contract.....	10
3	Water To Be Made Available And Delivered To The Contractor	12
4	Time For Delivery Of Water	16
5	Point Of Diversion And Responsibility For Distribution Of Water	18
6	Measurement Of Water Within The Service Area	20
7	Rates And Method Of Payment For Water	22
8	Non-Interest Bearing Operation And Maintenance Deficits	28
9	Sales, Transfers, Or Exchanges Of Water	29
10	Application Of Payments And Adjustments	31
11	Temporary Reductions--Return Flows	31
12	Constraints On The Availability Of Water	33
13	Unavoidable Groundwater Percolation	34
14	Rules And Regulations	34
15	Water And Air Pollution Control	34
16	Quality Of Water	34
17	Water Acquired By The Contractor Other Than From the United States	35

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
18	Opinions And Determinations	37
19	Coordination And Cooperation	38
20	Charges For Delinquent Payments	40
21	Equal Opportunity	40
22	General Obligation--Benefits Conditioned Upon Payment	42
23	Compliance With Civil Rights Laws And Regulations	42
24	Privacy Act Compliance	43
25	Contractor To Pay Certain Miscellaneous Costs	43
26	Water Conservation	43
27	Existing Or Acquired Water Or Water Rights	45
28	Operation And Maintenance By Non-Federal Entity	45
29	Contingent On Appropriation Or Allotment Of Funds	47
30	Books, Records, And Reports	47
31	Assignment Limited--Successors And Assigns Obligated	48
32	Severability	48
33	Resolution Of Disputes	49
34	Officials Not To Benefit	50
35	Changes In Contractor's Service Area	50
36	Federal Laws	51
37	Notices	51
38	Confirmation Of Contract	51
	Signature Page	52
	Exhibit A - Map Of Boundaries	
	Exhibit B - Rates And Charges	

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

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10 PROVIDING FOR PROJECT WATER SERVICE
11 FROM DELTA DIVISION
12

13 THIS CONTRACT, made this ____ day of _____, 200_, in pursuance
14 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
15 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
16 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, June 21, 1963 (77
17 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title
18 XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as
19 Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to as
20 the United States, and **THE CITY OF TRACY**, hereinafter referred to as the Contractor, a public
21 agency of the State of California, duly organized, existing, and acting pursuant to the laws thereof,
22 with its principal place of business in California;

23 WITNESSETH, That:

24 EXPLANATORY RECITALS

25 [1st] WHEREAS, the United States has constructed and is operating the Central Valley

1 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,
2 irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration,
3 generation and distribution of electric energy, salinity control, navigation and other beneficial uses,
4 of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River
5 and their tributaries; and

6 [2nd] WHEREAS, the United States constructed the **Delta-Mendota Canal** and related
7 facilities, hereinafter collectively referred to as the **Delta Division Facilities**, which will be used in
8 part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

9 [3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant
10 to California law for operation of the Project; and

11 [4th] WHEREAS, the Contractor and the United States entered into Contract No. **14-06-**
12 **200-7858A**, as amended, which established terms for the delivery to the Contractor of Central Valley
13 Project Water from the **Delta Division Facilities** from **July 22, 1974** through **December 31, 2013**;
14 and [**Contractor specific issue as to “as amended”**]

15 [5th] OMITTED [FOR IRC'S] ~~WHEREAS, the Contractor and the United States~~
16 ~~have pursuant to subsection 3404(c)(1) of the Central Valley Project Improvement Act~~
17 ~~(CVPIA), subsequently entered into interim renewal contract(s) identified as Contract~~
18 ~~No(s). _____, the current of which is hereinafter referred to as the~~
19 ~~Existing Contract, which provided for the continued water service to the Contractor from~~

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 _____ **through** _____ **; and**

2 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of interim
3 and existing long-term Central Valley Project Water service contracts following completion of
4 appropriate environmental documentation, including a programmatic environmental impact statement
5 (PEIS) pursuant to the National Environmental Policy Act analyzing the direct and indirect impacts
6 and benefits of implementing the CVPIA and the potential renewal of all existing contracts for
7 Project Water; and

8 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
9 environmental review necessary to provide for long-term renewal of the Existing Contract; and

10 [8th] WHEREAS, the Contractor has requested and entered into a binding agreement dated
11 September 30, 1997, the long-term renewal of the Existing Contract, pursuant to the terms of the
12 Existing Contract, Federal Reclamation law, and the laws of the State of California, for water service
13 from the Central Valley Project; and

14 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
15 its obligations under the Existing Contract; and

16 [10th] [**Contractor Specific**] WHEREAS, the Contractor has demonstrated to the
17 satisfaction of the Contracting Officer that the Contractor has utilized the Central Valley Project
18 Water supplies available to it for reasonable and beneficial use and/or has demonstrated projected

future demand for water use such that the Contractor has the capability¹ and expects to utilize fully for reasonable and beneficial use the quantity of Project Water to be made available to it pursuant to this Contract; and

[11th] WHEREAS, water obtained from the Central Valley Project has been relied upon by urban areas within California for more than fifty (50) years, and is considered by the Contractor as an essential portion of its water supply; and

[12th] WHEREAS, the economies of regions within the Central Valley Project, including the Contractor's, depend upon the continued availability of water, including water service from the Central Valley Project; and

[13th] WHEREAS, in the CALFED Programmatic Record of Decision, dated August 28, 2000, the United States and the State of California adopted a general target of continuously improving Delta water quality for all uses. The CALFED Agencies' target for providing safe, reliable, and affordable drinking water in a cost-effective way, is to achieve either: (a) average concentrations at Clifton Court Forebay and other southern and central Delta drinking water intakes of 50 ug/L bromide and 3.0 mg/L total organic carbon, or (b) an equivalent level of public health protection using a cost-effective combination of alternative source waters, source control and treatment technologies; and

¹ Contractor Specific issue - This recital may need to be modified for individual contractors who do not have the capability today to take Project Water but can demonstrate that they will have the capability to take Project Water prior to the delivery of water.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 [14th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
2 to pursue measures to improve water supply, water quality, and reliability of the Project for all
3 Project purposes; and

4 [] **WHEREAS, Banta Carbona Irrigation District has assigned 2,500 acre-feet of its**
5 **irrigation supply to the City of Tracy, which carries the agricultural reliability for shortages**

6 [] **WHEREAS, The West Side Irrigation District has assigned 2,500 acre-feet of its**
7 **irrigation supply to the City of Tracy, which carries the agricultural reliability for shortages;**

8 [15th] WHEREAS, the mutual goals of the United States and the Contractor include: to
9 provide for reliable Central Valley Project Water supplies; to control costs of those supplies; to
10 achieve repayment of the Central Valley Project as required by law; to guard reasonably against
11 Central Valley Project Water shortages; to achieve a reasonable balance among competing demands
12 for use of Central Valley Project Water; and to comply with all applicable environmental statutes, all
13 consistent with the legal obligations of the United States relative to the Central Valley Project; and

14 [16th] WHEREAS, the parties intend by this Contract to develop a more cooperative
15 relationship in order to achieve their mutual goals; and

16 [17th] WHEREAS, the United States and the Contractor are willing to enter into this long-
17 term renewal contract pursuant to Federal Reclamation law on the terms and conditions set forth
18 below;

19 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein

1 contained, it is hereby mutually agreed by the parties hereto as follows:

2 DEFINITIONS

3 1. When used herein unless otherwise distinctly expressed, or manifestly incompatible
4 with the intent of the parties as expressed in this Contract, the term:

5 (a) "Calendar Year" shall mean the period January 1 through December 31, both
6 dates inclusive;

7 (b) "Charges" shall mean the payments required by Federal Reclamation law in
8 addition to the Rates and Tiered Pricing Components specified in this Contract as determined
9 annually by the Contracting Officer pursuant to this Contract;

10 (c) "Condition of Shortage" shall mean a condition respecting the Project during
11 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract
12 Total;²

13 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly
14 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or
15 regulation;

16 (e) "Contract Total" shall mean the maximum amount of water to which the
17 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

18 (f) "Contractor's Service Area" shall mean the area to which the Contractor is

² May need to be modified for some divisions, including a definition of interruption of supply.

permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto, which may be modified from time to time in accordance with Article 35 of this Contract without amendment of this Contract;³

(g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

(h-i) Omitted;

(j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting Officer that shall amortizes the expenditures for construction properly allocable to the Project Irrigation or Municipal and Industrial functions, as appropriate, of facilities in service including operation and maintenance deficits funded, less payments, over such periods as may be required under Federal Reclamation law, or applicable contract provisions. Interest will accrue on both the construction expenditures and funded Operations and Maintenance deficits from October 12, 1982, on costs outstanding at that date, or from the date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act. The full-cost rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules and Regulations for the RRA;⁴

(k-l) Omitted;

(m) "Irrigation Water" shall mean water made available from the Project that is

³ Some Contractors may propose alternate language. Some Contractors may use a legal description, others may use a map.

⁴ This definition may be an issue in the M&I Divisional negotiations for certain contractors.

used primarily in the production of agricultural crops or livestock, including domestic use incidental thereto, and watering of livestock;

(n) Omitted;

(o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other than Irrigation Water, made available to the Contractor. M&I Water shall include water used for human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal enjoyment or water delivered to land holdings operated in units of less than five (5) acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of water delivered to any such landholding is a use described in subdivision (m) of this Article;

(p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to the delivery of M&I Water;

(q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable care, control, operation, repair, replacement (other than Capital replacement), and maintenance of Project facilities;

(r) "Operating Non-Federal Entity" shall mean the **San Luis & Delta-Mendota Water Authority**, a Non-Federal entity which has the obligation to operate and maintain all or a portion of the **Delta Division Facilities** pursuant to an agreement with the United States, and which may have funding obligations with respect thereto;

(s) "Project" shall mean the Central Valley Project owned by the United States

and managed by the Department of the Interior, Bureau of Reclamation;

(t) "Project Contractors" shall mean all parties who have water service contracts for Project Water from the Project with the United States pursuant to Federal Reclamation law;

(u) "Project Water" shall mean all water that is developed, diverted, stored, or delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance with the terms and conditions of water rights acquired pursuant to California law;

(v) "Rates" shall mean the payments determined annually by the Contracting Officer in accordance with the then current applicable water ratesetting policies for the Project, as described in subdivision (a) of Article 7 of this Contract;

(w) "Recent Historic Average" shall mean the most recent five (5) -year average of the final forecast of water made available to the Contractor pursuant to this Contract or its preceding contract(s);

(x) "Secretary" shall mean the Secretary of the Interior, a duly appointed successor, or an authorized representative acting pursuant to any authority of the Secretary and through any agency of the Department of the Interior;

(y) "Tiered Pricing Component" shall be the incremental amount to be paid for each acre-foot of water delivered as described in subdivision (j) of Article 7 of this Contract;

(z) "Water Delivered" or "Delivered Water" shall mean Project Water diverted

for use by the Contractor at the point(s) of delivery approved by the Contracting Officer;⁵

(aa) "Water Made Available" shall mean the estimated amount of Project Water that can be delivered to the Contractor for the upcoming year as declared by the Contracting Officer, pursuant to subdivision (a) of Article 4 of this Contract;

(bb) "Water Scheduled" shall mean Project Water Made Available to the Contractor for which times and quantities for delivery have been established by the Contractor and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

(cc) "Year" shall mean the period from and including March 1 of each Calendar Year through the last day of February of the following Calendar Year.

TERM OF CONTRACT

2. (a) This Contract shall be effective March 1, 200_, through February 28 (29), 20__.⁶ In the event the Contractor wishes to renew the Contract beyond February 28 (29), 20__, the Contractor shall submit a request for renewal in writing to the Contracting Officer no later than two (2) years prior to the date this Contract expires.

(b) Omitted.

(c) This Contract shall be renewed for a period of up to forty (40) years and thereafter shall be renewed for successive periods of up to forty (40) years each, which periods shall be consistent with the then-existing Reclamation-wide policy, under terms and conditions mutually

⁵ This language may be modified at the Contractor level.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

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CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

agreeable to the parties and consistent with Federal and State law. The Contractor shall be afforded the opportunity to comment to the Contracting Officer on the proposed adoption and application of any revised Reclamation-wide policy applicable to the delivery of Project M&I Water that would limit the term of any subsequent renewal contract with the Contractor for the furnishing of M&I Water to less than forty (40) years.

(d) The Contracting Officer shall make a determination 10 years after the date of execution of this Contract, and every 5 years thereafter during the term of this Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that during the term of this Contract, all authorized project construction expected to occur will have occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to the Contractor, and agrees further that, at any time after such allocation is made, and subject to satisfaction of the conditions set out in this subdivision of this Article, this Contract shall, at the request of the Contractor, be converted to a contract under said subsection (c)(1) of Section 9, subject to applicable Federal law and under stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for such conversion to occur shall be a determination by the Contracting Officer that, account being taken of the amount credited to return by the Contractor as provided for under Federal Reclamation law, the remaining amount of construction costs assignable

6 To be completed consistent with the term agreed upon with other CVP M&I Long-Term Renewal Contracts.

for ultimate return by the Contractor can probably be repaid to the United States within the term of a contract under said subsection (c)(1) of Section 9. If the remaining amount of costs that are properly assignable to the Contractor cannot be determined during the term of this Contract, the Contracting Officer shall notify the Contractor, and provide the reason(s) why such a determination could not be made. Further, the Contracting Officer shall make such a determination as soon thereafter as possible so as to permit, upon request of the Contractor and satisfaction of the conditions set out above, conversion to a contract under said subsection (c)(1) of Section 9.

WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

3. **[Divisional]**(a) During each Year, consistent with all applicable State water rights, permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of this Contract, the Contracting Officer shall make available for delivery to the Contractor up to **15,000** *(inclusive of assignment water from BCID and WSID)* acre-feet of water for M&I purposes. The quantity of Water Delivered to the Contractor in accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this Contract.

(b) Because the capacity of the Project to deliver Project Water has been constrained in recent years and may be constrained in the future due to many factors including hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor actually receiving the amount of Project Water set out in subdivision (a) of this Article in any given Year is uncertain. The Contracting Officer's most recent modeling referenced in the PEIS projected

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 that the Contract Total set forth in this Contract will not be available to the Contractor in many years.

2 During the most recent five (5) years, the Recent Historic Average of Water Made Available to the
3 Contractor was ____ acre-feet. Nothing in subdivision (b) of this Article shall affect the rights and
4 obligations of the parties under any provision of this Contract.

5 (c) The Contractor shall utilize the Project Water in accordance with all applicable
6 legal requirements.

7 (d) The Contractor shall make reasonable and beneficial use of all Project Water
8 or other water furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect,
9 or in lieu), groundwater banking programs, surface water storage programs, and other similar
10 programs utilizing Project Water or other water furnished pursuant to this Contract conducted within
11 the Contractor's Service Area which are consistent with applicable State law and result in use
12 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
13 program(s) is (are) described in the Contractor's Water Conservation Plan submitted pursuant to
14 Article 26 of this Contract; Provided, further, That such Water Conservation Plan demonstrates
15 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the
16 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with
17 Federal Reclamation law. Groundwater recharge programs, groundwater banking programs, surface
18 water storage programs, and other similar programs utilizing Project Water or other water furnished
19 pursuant to this Contract conducted outside the Contractor's Service Area may be permitted upon

1 written approval of the Contracting Officer, which approval will be based upon environmental
2 documentation, Project Water rights, and Project operational concerns. The Contracting Officer will
3 address such concerns in regulations, policies, or guidelines.

4 (e) The Contractor shall comply with requirements applicable to the Contractor in
5 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
6 undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as amended, that are within
7 the Contractor's legal authority to implement. The Existing Contract, which evidences in excess of
8 22 years of diversions for M&I purposes of the quantities of water provided in subdivision (a) of
9 Article 3 of this Contract, will be considered in developing an appropriate baseline for the Biological
10 Assessment prepared pursuant to the Endangered Species Act, and any other needed environmental
11 review. Nothing herein shall be construed to prevent the Contractor from challenging or seeking
12 judicial relief in a court of competent jurisdiction with respect to any biological opinion or other
13 environmental documentation referred to in this Article.⁷

14 (f) Following the declaration of Water Made Available under Article 4 of this
15 Contract, the Contracting Officer will make a determination whether Project Water, or other water
16 available to the Project, can be made available to the Contractor in addition to the Contract Total
17 under Article 3 of this Contract during the Year without adversely impacting other Project
18 Contractors. At the request of the Contractor, the Contracting Officer will consult with the

⁷ Specific Contract Issue: The concern over land use authority may be the subject of discussion with individual contractors.

Contractor prior to making such a determination. If the Contracting Officer determines that Project Water, or other water available to the Project, can be made available to the Contractor, the Contracting Officer will announce the availability of such water and shall so notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable of taking such water to determine the most equitable and efficient allocation of such water. If the Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make such water available to the Contractor in accordance with applicable statutes, regulations, guidelines, and policies.

(g) The Contractor may request permission to reschedule for use during the subsequent Year some or all of the Water Made Available to the Contractor during the current Year referred to as "carryover."⁸ The Contractor may request permission to use during the current Year, a quantity of Project Water which may be made available by the United States to the Contractor during the subsequent Year referred to as "preuse." The Contracting Officer's written approval may permit such uses in accordance with applicable statutes, regulations, guidelines, and policies.

(h) The Contractors' right pursuant to Federal Reclamation law and applicable State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations

⁸ "Rescheduled" in some divisions. At present, rescheduling & preuse is only available to South of Delta and Friant contractors.

under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal contracts.

(i) Project Water furnished to the Contractor pursuant to this Contract may be delivered for purposes other than those described in subdivision (o) of Article 1 of this Contract upon written approval by the Contracting Officer in accordance with the terms and conditions of such approval.

(j) The Contracting Officer shall make reasonable efforts to protect the water rights necessary for the Project and to provide the water available under this Contract. The Contracting Officer shall not object to participation by the Contractor, in the capacity and to the extent permitted by law, in administrative proceedings related to the Project Water rights; Provided, however, That the Contracting Officer retains the right to object to the substance of the Contractor's position in such a proceeding; Provided further, that in such proceedings the Contracting Officer shall recognize the Contractor has a legal right under the terms of this Contract to use Project Water.

TIME FOR DELIVERY OF WATER

(4) (a) On or about February 20 of each Calendar Year, the Contracting Officer shall announce the Contracting Officer's expected declaration of the Water Made Available. Such declaration of Project operations will be expressed in terms of both Water Made Available and the Recent Historic Average and will be updated monthly, and more frequently if necessary, based on

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 then-current operational and hydrologic conditions and a new declaration with changes, if any, to the
2 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project
3 operations and the basis of the estimate, with relevant supporting information, upon the written
4 request of the Contractor. Concurrently with the declaration of the Water Made Available, the
5 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

6 (b) On or before each March 1 and at such other times as necessary, the Contractor
7 shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer,
8 showing the monthly quantities of Project Water to be delivered by the United States to the
9 Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting
10 Officer shall use all reasonable means to deliver Project Water according to the approved schedule
11 for the Year commencing on such March 1.

12 (c) The Contractor shall not schedule Project Water in excess of the quantity of
13 Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's
14 Service Area or sell, transfer or exchange pursuant to Article 9 of this Contract during any Year.

15 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
16 Contract, the United States shall deliver Project Water to the Contractor in accordance with the initial
17 schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any written
18 revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable time prior
19 to the date(s) on which the requested change(s) is/are to be implemented.

1 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

2 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this

3 Contract shall be delivered to the Contractor at a turnout from the **Delta-Mendota Canal at or near**
4 **Milepost 16.80 Right** and any additional point or points of delivery either on Project facilities or
5 another location or locations mutually agreed to in writing by the Contracting Officer and the
6 Contractor.

7 (b) [Divisional Issue – For Some Divisions Points Of Delivery Specifically

8 **Identified]** The Contracting Officer, the Operating Non-Federal Entity, or other appropriate entity as
9 designated by the Contracting Officer (hereafter [other appropriate entity]) shall make all reasonable
10 efforts to maintain sufficient flows and levels of water in the **Delta-Mendota Canal** to deliver Project
11 Water to the Contractor at specific turnouts established pursuant to subdivision (a) of this Article.

12 (c) The Contractor shall not deliver Project Water to land outside the Contractor's
13 Service Area unless approved in advance by the Contracting Officer.

14 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
15 measured and recorded with equipment furnished, installed, operated, and maintained by the United
16 States, the Operating Non-Federal Entity or other appropriate entity at the point or points of delivery
17 established pursuant to subdivision (a) of this Article. Upon the request of either party to this
18 Contract, the Contracting Officer shall investigate, or cause to be investigated by the responsible
19 Operating Non-Federal Entity, the accuracy of such measurements and shall take any necessary steps

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 to adjust any errors appearing therein. For any period of time when accurate measurements have not
2 been made, the Contracting Officer shall consult with the Contractor and the responsible Operating
3 Non-Federal Entity prior to making a final determination of the quantity delivered for that period of
4 time.

5 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity shall be
6 responsible for the control, carriage, handling, use, disposal, or distribution of Water Delivered to the
7 Contractor pursuant to this Contract beyond the delivery points specified in subdivision (a) of this
8 Article. The Contractor shall indemnify the United States, its officers, employees, agents, and
9 assigns on account of damage or claim of damage of any nature whatsoever for which there is legal
10 responsibility, including property damage, personal injury, or death arising out of or connected with
11 the control, carriage, handling, use, disposal, or distribution of such Water Delivered beyond such
12 delivery points, except for any damage or claim arising out of: (i) acts or omissions of the
13 Contracting Officer or any of its officers, employees, agents, or assigns, including any responsible
14 Operating Non-Federal Entity, with the intent of creating the situation resulting in any damage or
15 claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees, agents, or
16 assigns, including any responsible Operating Non-Federal Entity; (iii) negligence of the Contracting
17 Officer or any of its officers, employees, agents, or assigns including any responsible Operating Non-
18 Federal Entity; or (iv) damage or claims resulting from a malfunction of facilities owned and/or
19 operated by the United States or responsible Operating Non-Federal Entity; Provided, That the

Contractor is not the Operating Non-Federal Entity that owned or operated the malfunctioning facility(ies) from which the damage claim arose.

MEASUREMENT OF WATER WITHIN THE SERVICE AREA⁹

6. (a) [**Contractor Specific**] By _____[DATE] _____, the Contractor shall ensure that, unless the Contractor establishes an alternative measurement program satisfactory to the Contracting Officer, all surface water delivered for M&I purposes is measured at each M&I service connection. The water measuring devices or water measuring methods of comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be responsible for installing, operating, and maintaining and repairing all such measuring devices and implementing all such water measuring methods at no cost to the United States. The Contractor shall use the information obtained from such water measuring devices or water measuring methods to ensure its proper management of the water, to bill water users for water delivered by the Contractor; and, if applicable, to record water delivered for M&I purposes by customer class as defined in the Contractor's water conservation plan provided for in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor from establishing and collecting any charges, assessments, or other revenues authorized by California law. The Contractor shall include a summary of all its annual surface water deliveries in the annual report described in subdivision (c) of Article 26.

⁹ Recognize unique circumstances at Contractor level may require negotiation of different language.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 (b) [**Contractor Specific**] To the extent the information has not otherwise been
2 provided, upon execution of this Contract, the Contractor shall provide to the Contracting Officer a
3 written report describing the measurement devices or water measuring methods being used or to be
4 used to implement subdivision (a) of this Article and identifying the M&I service connections or
5 alternative measurement programs approved by the Contracting Officer, at which such measurement
6 devices or water measuring methods are being used, and, if applicable, identifying the locations at
7 which such devices and/or methods are not yet being used including a time schedule for
8 implementation at such locations. The Contracting Officer shall advise the Contractor in writing
9 within sixty (60) days as to the adequacy of, and necessary modifications, if any, of the measuring
10 devices or water measuring methods identified in the Contractor's report and if the Contracting
11 Officer does not respond in such time, they shall be deemed adequate. If the Contracting Officer
12 notifies the Contractor that the measuring devices or methods are inadequate, the parties shall within
13 sixty (60) days following the Contracting Officer's response, negotiate in good faith the earliest
14 practicable date by which the Contractor shall modify said measuring devices and/or measuring
15 methods as required by the Contracting Officer to ensure compliance with subdivision (a) of this
16 Article.

17 (c) All new surface water delivery systems installed within the Contractor's
18 Service Area after the effective date of this Contract¹⁰ shall also comply with the measurement

¹⁰ Some Contractors may propose alternate date.

1 provisions described in subdivision (a) of this Article.

2 (d) [**Contractor Specific**] The Contractor shall inform the Contracting Officer and
3 the State of California in writing by April 30 of each Year of the monthly volume of surface water
4 delivered within the Contractor's Service Area during the previous Year.

5 (e) [**Contractor Specific**] The Contractor shall inform the Contracting Officer and
6 the Operating Non-Federal Entity on or before the twentieth (20th) calendar day of each month of the
7 quantity of M&I Water taken during the preceding month.

8 RATES AND METHOD OF PAYMENT FOR WATER

9 7. (a) The Contractor shall pay the United States as provided in this Article for all
10 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
11 with: (i) the Secretary's then-existing ratesetting policy for M&I Water. Such ratesetting policies
12 shall be amended, modified, or superseded only through a public notice and comment procedure; (ii)
13 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii) other
14 applicable provisions of this Contract. Payments shall be made by cash transaction, wire transfer, or
15 any other mechanism as may be agreed to in writing by the Contractor and the Contracting Officer.
16 The Rates, Charges, and Tiered Pricing Components applicable to the Contractor upon execution of
17 this Contract are set forth in Exhibit "B", as may be revised annually.

18 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
19 Tiered Pricing Components as follows:

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
2 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
3 period October 1, of the current Calendar Year, through September 30, of the following
4 Calendar Year, and the basis for such estimate. The Contractor shall be allowed not less than
5 two (2) months to review and comment on such estimates. On or before September 15 of
6 each Calendar Year, the Contracting Officer shall notify the Contractor in writing of the
7 Charges to be in effect during the period October 1 of the current Calendar Year, through
8 September 30, of the following Calendar Year, and such notification shall revise Exhibit [B].

9 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
10 make available to the Contractor an estimate of the Rates and Tiered Pricing Components for
11 Project Water for the following Year and the computations and cost allocations upon which
12 those Rates are based. The Contractor shall be allowed not less than two (2) months to
13 review and comment on such computations and cost allocations. By December 31 of each
14 Calendar Year, the Contracting Officer shall provide the Contractor with the final Rates and
15 Tiered Pricing Components to be in effect for the upcoming Year, and such notification shall
16 revise Exhibit [B].

17 (c) At the time the Contractor submits the initial schedule for the delivery of
18 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
19 shall make an advance payment to the United States equal to the total amount payable pursuant to the

T.O. Draft 12/28/2003
R.O. Draft 9/23-2003
R.O. Draft 8/21-2003
Based on CVP-Wide Form 6/10-2003
CVP M&I Only LTRC
Contract No. 14-06-200-7858A-LTR1

1 applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
2 delivered pursuant to this Contract during the first two (2) calendar months of the Year. Before the
3 end of the first month and before the end of each calendar month thereafter, the Contractor shall
4 make an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article,
5 for the Water Scheduled to be delivered pursuant to this Contract during the second month
6 immediately following. Adjustments between advance payments for Water Scheduled and payments
7 at Rates due for Water Delivered shall be made before the end of the following month; Provided,
8 That any revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which
9 increases the amount of Water Delivered pursuant to this Contract during any month shall be
10 accompanied with appropriate advance payment, at the Rates then in effect, to assure that Project
11 Water is not delivered to the Contractor in advance of such payment. In any month in which the
12 quantity of Water Delivered to the Contractor pursuant to this Contract equals the quantity of Water
13 Scheduled and paid for by the Contractor, no additional Project Water shall be delivered to the
14 Contractor unless and until an advance payment at the Rates then in effect for such additional Project
15 Water is made. Final adjustment between the advance payments for the Water Scheduled and
16 payments for the quantities of Water Delivered during each Year pursuant to this Contract shall be
17 made as soon as practicable but no later than April 30th of the following Year, or sixty (60) days
18 after the delivery of Project Water carried over under subdivision (g) of Article 3 of this Contract if
19 such water is not delivered by the last day of February.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 (d) The Contractor shall also make a payment in addition to the Rate(s) in
2 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
3 appropriate Tiered Pricing Component then in effect, before the end of the month of delivery. The
4 payments shall be consistent with the quantities of M&I Water Delivered as shown in the water
5 delivery report for the subject month prepared by the Operating Non-Federal Entity or, if there is no
6 Operating Non-Federal Entity, by the Contracting Officer. The water delivery report shall be deemed
7 a bill for the payment of Charges and the applicable Tiered Pricing Component for Water Delivered.
8 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment of
9 payments due to the United States for Charges for the next month. Any amount to be paid for past
10 due payment of Charges and the Tiered Pricing Component shall be computed pursuant to Article 20
11 of this Contract.

12 (e) The Contractor shall pay for any Water Delivered under subdivision (d), (f), or
13 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
14 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;
15 Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this Contract shall
16 be no more than the otherwise applicable Rate for M&I Water under subdivision (a) of this Article.

17 (f) Payments to be made by the Contractor to the United States under this
18 Contract may be paid from any revenues available to the Contractor.

19 (g) All revenues received by the United States from the Contractor relating to the

1 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
2 allocated and applied in accordance with Federal Reclamation law and the associated rules or
3 regulations, and the then current Project ratesetting policies for M&I Water.

4 (h) The Contracting Officer shall keep its accounts pertaining to the administration
5 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
6 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
7 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
8 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,
9 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
10 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
11 reports, or information.

12 (i) The parties acknowledge and agree that the efficient administration of this
13 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
14 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components,
15 and/or for making and allocating payments, other than those set forth in this Article may be in the
16 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements to
17 modify the mechanisms, policies, and procedures for any of those purposes while this Contract is in
18 effect without amending this Contract.

19 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed

eighty (80%) percent of the Contract Total, then before the end of the month following the month of delivery the Contractor shall make an additional payment to the United States equal to the applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in excess of eighty (80%) percent of the Contract Total, but less than or equal to ninety (90%) percent of the Contract Total, shall equal the one-half of the difference between the Rate established under subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing Component for the amount of Water Delivered which exceeds ninety (90%) percent of the Contract Total shall equal the difference between (i) the Rate established under subdivision (a) of this Article and (ii) the M&I Full Cost Water Rate.

(2) Omitted.

(3) For purposes of determining the applicability of the Tiered Pricing Components pursuant to this Article, Water Delivered shall include Project Water that the Contractor transfers to others but shall not include Project Water transferred and delivered to the Contractor.¹¹

(k) For the term of this Contract, Rates under the respective ratesetting policies will be established to recover only reimbursable O&M (including any deficits) and capital costs of the Project, as those terms are used in the then-current Project ratesetting policies, and interest, where appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant

¹¹ Divisions/Districts may propose alternative language.

1 Project ratesetting policy. Changes of significance in practices which implement the Contracting
2 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the
3 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

4 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
5 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
6 upward or downward to reflect the changed costs of delivery (if any) of the transferred Project Water
7 to the transferee's point of delivery in accordance with the then applicable CVP Ratesetting Policy.

8 (m) Omitted.

9 (n) The Contractor asserts that it is not legally obligated to **pay** any Project
10 deficits claimed by the United States to have accrued as of the date of this Contract **or deficit-related**
11 **interest charges thereon**. By entering into this Contract, the Contractor does not waive any legal
12 rights or remedies that it may have with respect to such disputed issues. Notwithstanding the
13 execution of this Contract and payments made hereunder, the Contractor may challenge in the
14 appropriate administrative or judicial forums: (1) the existence, the computation, or imposition of any
15 deficit charges accruing during the term of the Existing Contract; (2) interest accruing on any such
16 deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by
17 the United States of payments made by the Contractor under its Existing Contract; and (5) the
18 application of such payments in the Rates. The Contracting Officer agrees that the Contractor shall
19 be entitled to the benefit of any administrative or judicial ruling in favor of any other Project M&I

contractor on any of these issues, and credits for payments heretofore made, provided that the basis for such ruling is applicable to the Contractor.¹²

NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

8. Omitted.

SALES, TRANSFERS, OR EXCHANGES OF WATER

9. (a) The right to receive Project Water provided for in this Contract may be sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of California if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this Contract may take place without the prior written approval of the Contracting Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be approved absent all appropriate environmental documentation, including but not limited to documents prepared pursuant to the National Environmental Policy Act and the Endangered Species Act. Such environmental documentation should include, as appropriate, an analysis of groundwater impacts and economic and social effects, including environmental justice, of the proposed water transfers on both the transferor and transferee.

(b) In order to facilitate efficient water management by means of water transfers of the type historically carried out among Project Contractors located within the same geographical area

¹² May be deleted at Contractor's request.

1 and to allow the Contractor to participate in an accelerated water transfer program during the term of
2 this Contract, the Contracting Officer shall prepare, as appropriate, all necessary environmental
3 documentation including, but not limited to documents prepared pursuant to the National
4 Environmental Policy Act and the Endangered Species Act analyzing annual transfers within such
5 geographical areas and the Contracting Officer shall determine whether such transfers comply with
6 applicable law. Following the completion of the environmental documentation, such transfers
7 addressed in such documentation shall be conducted with advance notice to the Contracting Officer,
8 but shall not require prior written approval by the Contracting Officer. Such environmental
9 documentation and the Contracting Officer's compliance determination shall be reviewed every five
10 (5) years and updated, as necessary, prior to the expiration of the then existing five (5) -year period.
11 All subsequent environmental documentation shall include an alternative to evaluate not less than the
12 quantity of Project Water historically transferred within the same geographical area.

13 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
14 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three (3) years, for
15 M&I use, groundwater recharge, water banking, or fish and wildlife resources; not lead to land
16 conversion; and be delivered to established cropland, wildlife refuges, groundwater basins or
17 municipal and industrial use; (ii) occur within a single Year; (iii) occur between a willing seller and a
18 willing buyer; (iv) convey water through existing facilities with no new construction or modifications
19 to facilities and be between existing Project contractors and/or the Contractor and the United States,

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

Department of the Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and requirements imposed for protection of the environment and Indian Trust Assets, as defined under Federal law.

(d) Omitted [Area of Origin—American River Division Only]

APPLICATION OF PAYMENTS AND ADJUSTMENTS

10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M, Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of more than One Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any amount of such overpayment at the option of the Contractor, may be credited against amounts to become due to the United States by the Contractor. With respect to overpayment, such refund or adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the use of any of the Project Water supply provided for herein. All credits and refunds of overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as to how to credit or refund such overpayment in response to the notice to the Contractor that it has finalized the accounts for the Year in which the overpayment was made.

(b) All advances for miscellaneous costs incurred for work requested by the Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when the work has been completed. If the advances exceed the actual costs incurred, the difference will be

1 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will
2 be billed for the additional costs pursuant to Article 25 of this Contract.

3 TEMPORARY REDUCTIONS--RETURN FLOWS

4 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
5 requirements of Federal law and (ii) the obligations of the United States under existing contracts, or
6 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make
7 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
8 Contract.

9 (b) The Contracting Officer or Operating Non-Federal Entity may temporarily
10 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the
11 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
12 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far
13 as feasible the Contracting Officer or Operating Non-Federal Entity will give the Contractor due
14 notice in advance of such temporary discontinuance or reduction, except in case of emergency, in
15 which case no notice need be given; Provided, That the United States shall use its best efforts to
16 avoid any discontinuance or reduction in such service. Upon resumption of service after such
17 reduction or discontinuance, and if requested by the Contractor, the United States will, if possible,
18 deliver the quantity of Project Water which would have been delivered hereunder in the absence of
19 such discontinuance or reduction.

(c) The United States reserves the right to all seepage and return flow water derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the Contractor's Service Area; Provided, That this shall not be construed as claiming for the United States any right as seepage or return flow being put to reasonable and beneficial use pursuant to this Contract within the Contractor's Service Area¹³ by the Contractor or those claiming by, through, or under the Contractor.

CONSTRAINTS ON THE AVAILABILITY OF WATER

12. (a) In its operation of the Project, the Contracting Officer will use all reasonable means to guard against a Condition of Shortage in the quantity of water to be made available to the Contractor pursuant to this long-term renewal Contract. In the event the Contracting Officer determines that a Condition of Shortage appears probable, the Contracting Officer will notify the Contractor of said determination as soon as practicable.

(b) If there is a Condition of Shortage because of errors in physical operations of the Project, drought, other physical causes beyond the control of the Contracting Officer or actions taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

(c) Omitted.

¹³ Divisions may propose alternate language.

(d) Project Water furnished under this Contract will be allocated in accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be amended, modified, or superseded only through a public notice and comment procedure.

(e) By entering into this Contract, the Contractor does not waive any legal rights or remedies it may have to file or participate in any administrative or judicial proceeding contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy adopted after the effective date of this Contract was promulgated; (ii) the substance of such a policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting Officer does not waive any legal defenses or remedies that it may then have to assert in such a proceeding.

UNAVOIDABLE GROUNDWATER PERCOLATION

13. Omitted.

RULES AND REGULATIONS¹⁴

14. The parties agree that the delivery of M&I Water or use of Federal facilities pursuant to this Contract is subject to the applicable provisions of Federal Reclamation law, and any applicable rules and regulations promulgated by the Secretary of the Interior under such law.

WATER AND AIR POLLUTION CONTROL

15. The Contractor, in carrying out this Contract, shall comply with all applicable water and air pollution laws and regulations of the United States and the State of California, and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

¹⁴ Contractor Specific Issue - This may need to be modified on an individual contractor basis. Some contractors may be precluded by law to agreeing to all or part of this Article.

1
2 QUALITY OF WATER¹⁵

3 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
4 this Contract shall be operated and maintained to enable the United States to deliver Project Water to
5 the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act
6 of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat.
7 3050) or other existing Federal laws. The United States is under no obligation to construct or furnish
8 water treatment facilities to maintain or to improve the quality of Water Delivered to the Contractor
9 pursuant to this Contract. The United States does not warrant the quality of Water Delivered to the
10 Contractor pursuant to this Contract.

11 (b) The O&M of Project facilities shall be performed in such manner as is
12 practicable to maintain the quality of raw Water Made Available through such facilities at the highest
13 level reasonably attainable as determined by the Contracting Officer.

14 WATER ACQUIRED BY THE CONTRACTOR
15 OTHER THAN FROM THE UNITED STATES

16 17. (a) Omitted.

17 (b) Water or water rights now owned or hereafter acquired by the Contractor,
18 other than from the United States, may be stored, conveyed and/or diverted through Project facilities,
19 subject to the completion of appropriate environmental documentation, with the approval of the

15 Some Contractors may request tailored language regarding water quality.

Contracting Officer and the execution of any contract determined by the Contracting Officer to be necessary, consistent with the following provisions:

(1) The Contractor may introduce non-Project water into Project facilities and deliver said water to lands within the Contractor's Service Area, subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an appropriate rate as determined by the CVP Ratesetting Policy and the Reclamation Reform Act of 1982, each as amended, modified or superceded from time to time. In addition, if electrical power is required to pump non-Project water through the facilities, the Contractor shall be responsible for obtaining the necessary power and paying the necessary charges therefor.

(2) Delivery of such non-Project water in and through Project facilities shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of the Project facilities.

(3) Neither the United States nor the Operating Non-Federal Entity shall be responsible for control, care or distribution of the non-Project water before it is introduced into or after it is delivered from the Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United States and the Operating Non-Federal Entity, and

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 their respective officers, agents, and employees, from any claim for damage to persons or
2 property, direct or indirect, arising out of or relating to the Contractor's or its officers',
3 employees', agents' or assigns', act of (i) extracting or diverting non-Project water from any
4 source, or (ii) diverting such non-Project water into Project facilities.

5 (4) Diversion of such non-Project water into Project facilities shall be
6 consistent with all applicable laws, and if involving groundwater, consistent with any
7 applicable groundwater management plan for the area from which it was extracted.

8 (5) After Project purposes are met, as determined by the Contracting
9 Officer, the United States and the Contractor shall share priority to utilize the remaining
10 capacity of the facilities declared to be available by the Contracting Officer for conveyance
11 and transportation of non-Project water prior to any such remaining capacity being made
12 available to non-Project contractors. **[Divisional Issue – Divisions May Seek Language**
13 **Providing For Wheeling And Non-Project Water Pursuant To CVPIA Section 3408(C),**
14 **Etc.]**

15
16 OPINIONS AND DETERMINATIONS

17 18. (a) Where the terms of this Contract provide for actions to be based upon the
18 opinion or determination of either party to this Contract, said terms shall not be construed as
19 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
20 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly

1 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
2 unreasonable opinion or determination. Each opinion or determination by either party shall be
3 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
4 or shall affect or alter the standard of judicial review applicable under Federal law to any opinion or
5 determination implementing a specific provision of Federal law embodied in statute or regulation.

6 (b) The Contracting Officer shall have the right to make determinations necessary
7 to administer this Contract that are consistent with the expressed and implied provisions of this
8 Contract, the laws of the United States and of the State of California, and the rules and regulations
9 promulgated by the Secretary of the Interior. Such determinations shall be made in consultation with
10 the Contractor.

COORDINATION AND COOPERATION

11
12 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
13 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
14 affected Project Contractors, in order to improve the operation and management of the Project. The
15 communication, coordination, and cooperation regarding operations and management shall include,
16 but not be limited to, any action which will or may materially affect the quantity or quality of Project
17 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
18 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder
19 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making

1 authority for all actions, opinion, and determinations to be made by the respective party.

2 (b) Within one hundred twenty (120) days following the effective date of this
3 Contract, the Contractor, other affected Project Contractors, and the Contracting Officer shall arrange
4 to meet with interested Project Contractors to develop a mutually agreeable, written Project-wide
5 process, which may be amended as necessary separate and apart from this Contract. The goal of this
6 process shall be to provide, to the extent practicable, the means of mutual communication and
7 interaction regarding significant decisions concerning Project operation and management on a real-
8 time basis.

9 (c) In light of the factors referred to in subdivision (b) of Article 3 of this
10 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this intent:

11 (1) The Contracting Officer will, at the request of the Contractor, assist in
12 the development of integrated resource management plans for the Contractor. Further, the
13 Contracting Officer will, as appropriate, seek authorizations for implementation of
14 partnerships to improve water supply, water quality, and reliability.

15 (2) The Secretary will, as appropriate, pursue program and project
16 implementation and authorization in coordination with Project Contractors to improve the
17 water supply, water quality, and reliability of the Project for all Project purposes.

18 (3) The Secretary will coordinate with Project Contractors and the State of
19 California to seek improved water resource management.

1 (4) The Secretary will coordinate actions of agencies within the
2 Department of the Interior that may impact the availability of water for Project purposes.

3 (5) The Contracting Officer shall periodically, but not less than annually,
4 hold division level meetings to discuss Project operations, division level water management
5 activities, and other issues as appropriate.

6 (d) Without limiting the contractual obligations of the Contracting Officer under
7 the other Articles of this Contract, nothing in this Article shall be construed to limit or constrain the
8 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
9 interested stakeholders or to make decisions in a timely fashion as needed to protect health, safety,
10 physical integrity of structures or facilities.

11 CHARGES FOR DELINQUENT PAYMENTS

12 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
13 on delinquent installments or payments. When a payment is not received by the due date, the
14 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
15 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
16 charge to cover additional costs of billing and processing the delinquent payment. When a payment
17 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
18 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
19 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
20 payment.

21
22 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in
23 the Federal Register by the Department of the Treasury for application to overdue payments, or the
24 interest rate of one-half of one (0.5%) percent per month prescribed by Section 6 of the Reclamation
25 Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due
26 date and remain fixed for the duration of the delinquent period.

1 (c) When a partial payment on a delinquent account is received, the amount
2 received shall be applied, first to the penalty, second to the administrative charges, third to the
3 accrued interest, and finally to the overdue payment.
4

5 EQUAL OPPORTUNITY
6

7 21. During the performance of this Contract, the Contractor agrees as follows:
8

9 (a) The Contractor will not discriminate against any employee or applicant for
10 employment because of race, color, religion, sex, or national origin. The Contractor will take
11 affirmative action to ensure that applicants are employed, and that employees are treated during
12 employment, without regard to their race, color, religion, sex, or national origin. Such action shall
13 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;
14 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of
15 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
16 conspicuous places, available to employees and applicants for employment, notices to be provided by
17 the Contracting Officer setting forth the provisions of this nondiscrimination clause.
18

19 (b) The Contractor will, in all solicitations or advertisements for employees placed
20 by or on behalf of the Contractor, state that all qualified applicants will receive consideration for
21 employment without discrimination because of race, color, religion, sex, or national origin.
22

23 (c) The Contractor will send to each labor union or representative of workers with
24 which it has a collective bargaining agreement or other contract or understanding, a notice, to be
25 provided by the Contracting Officer, advising the said labor union or workers' representative of the
26 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and
27 shall post copies of the notice in conspicuous places available to employees and applicants for
28 employment.
29

30 (d) The Contractor will comply with all provisions of Executive Order No. 11246
31 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary
32 of Labor.
33

34 (e) The Contractor will furnish all information and reports required by said
35 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
36 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer
37 and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules,
38 regulations, and orders.

1
2 (f) In the event of the Contractor's noncompliance with the nondiscrimination
3 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
4 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible
5 for further Government contracts in accordance with procedures authorized in said amended
6 Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said
7 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided
8 by law.

9
10 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
11 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
12 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
13 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
14 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
15 means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That
16 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor
17 or vendor as a result of such direction, the Contractor may request the United States to enter into such
18 litigation to protect the interests of the United States.

19
20 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

21
22 22. (a) The obligation of the Contractor to pay the United States as provided in this
23 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
24 may be distributed among the Contractor's water users and notwithstanding the default of individual
25 water users in their obligations to the Contractor.

26
27 (b) The payment of charges becoming due hereunder is a condition precedent to
28 receiving benefits under this Contract. The United States shall not make water available to the
29 Contractor through Project facilities during any period in which the Contractor may be in arrears in
30 the advance payment of water rates due the United States. The Contractor shall not furnish water
31 made available pursuant to this Contract for lands or parties which are in arrears in the advance
32 payment of water rates levied or established by the Contractor.

33
34 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
35 obligation to require advance payment for water rates which it levies.

1 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

2
3 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964 (42
4 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age
5 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as
6 well as with their respective implementing regulations and guidelines imposed by the U.S.
7 Department of the Interior and/or Bureau of Reclamation.

8
9 (b) These statutes require that no person in the United States shall, on the grounds
10 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
11 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
12 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
13 agrees to immediately take any measures necessary to implement this obligation, including
14 permitting officials of the United States to inspect premises, programs, and documents.

15
16 (c) The Contractor makes this agreement in consideration of and for the purpose
17 of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial
18 assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including
19 installment payments after such date on account of arrangements for Federal financial assistance
20 which were approved before such date. The Contractor recognizes and agrees that such Federal
21 assistance will be extended in reliance on the representations and agreements made in this Article,
22 and that the United States reserves the right to seek judicial enforcement thereof.

23
24 PRIVACY ACT COMPLIANCE

25
26 24. Omitted.

27
28 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

29 25. In addition to all other payments to be made by the Contractor pursuant to this
30 Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill
31 and detailed statement submitted by the Contracting Officer to the Contractor for such specific items
32 of direct cost incurred by the United States for work requested by the Contractor associated with this
33 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and

1 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
2 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
3 administration.

4 WATER CONSERVATION

5 26. (a) Prior to the delivery of water provided from or conveyed through Federally
6 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
7 implementing an effective water conservation and efficiency program based on the Contractor's water
8 conservation plan that has been determined by the Contracting Officer to meet the conservation and
9 efficiency criteria for evaluating water conservation plans established under Federal law. The water
10 conservation and efficiency program shall contain definite water conservation objectives, appropriate
11 economically feasible water conservation measures, and time schedules for meeting those objectives.
12 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
13 continued implementation of such water conservation program. In the event the Contractor's water
14 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
15 Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such
16 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
17 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
18 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
19 thereafter the Contractor immediately begins implementing its water conservation and efficiency

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 program in accordance with the time schedules therein.

2 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
3 Article 3 of this Contract equal or exceed two thousand (2,000) acre-feet per Year, the Contractor
4 shall implement the Best Management Practices identified by the time frames issued by the
5 California Urban Water Conservation Council for such M&I Water unless any such practice is
6 determined by the Contracting Officer to be inappropriate for the Contractor.

7 (c) The Contractor shall submit to the Contracting Officer a report on the status of
8 its implementation of the water conservation plan on the reporting dates specified in the then existing
9 conservation and efficiency criteria established under Federal law.

10 (d) At five (5) -year intervals, the Contractor shall revise its water conservation
11 plan to reflect the then current conservation and efficiency criteria for evaluating water conservation
12 plans established under Federal law and submit such revised water management plan to the
13 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
14 water conservation plan meets Reclamation's then current conservation and efficiency criteria for
15 evaluating water conservation plans established under Federal law.

16 (e) If the Contractor is engaged in direct groundwater recharge, such activity shall
17 be described in the Contractor's water conservation plan.

18 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

19 27. Except as specifically provided in Article 17 of this Contract, the provisions of this

Contract shall not be applicable to or affect non-Project water or water rights now owned or hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such water shall not be considered Project Water under this Contract. In addition, this Contract shall not be construed as limiting or curtailing any rights which the Contractor or any water user within the Contractor's Service Area acquires or has available under any other contract pursuant to Federal Reclamation law.

OPERATION AND MAINTENANCE BY NON-FEDERAL ENTITY¹⁶

28. (a) The O&M of a portion of the Project facilities which serve the Contractor, and responsibility for funding a portion of the costs of such O&M, have been transferred to the Operating Non-Federal Entity by separate agreement between the United States and the Operating Non-Federal Entity. That separate agreement shall not interfere with or affect the rights or obligations of the Contractor or the United States hereunder.

(b) The Contracting Officer has previously notified the Contractor in writing that the O&M of a portion of the Project facilities which serve the Contractor has been transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer under the terms and conditions of the separate agreement between the United States and the Operating Non-Federal Entity described in subdivision (a) of this Article, all Rates, Charges, or assessments of any kind, including

¹⁶ Include where applicable.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

any assessment for reserve funds, which the Operating Non-Federal Entity or such successor determines, sets, or establishes for the O&M of the portion of the Project facilities operated and maintained by the Operating Non-Federal Entity or such successor. Such direct payments to the Operating Non-Federal Entity or such successor shall not relieve the Contractor of its obligation to pay directly to the United States the Contractor's share of the Project Rates, Charges, and Tiered Pricing Components except to the extent the Operating Non-Federal Entity collects payments on behalf of the United States in accordance with the separate agreement identified in subdivision (a) of this Article.

(c) For so long as the O&M of any portion of the Project facilities serving the Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the Contracting Officer shall adjust those components of the Rates for Water Delivered under this Contract representing the cost associated with the activity being performed by the Operating Non-Federal Entity or its successor.

(d) In the event the O&M of the Project facilities operated and maintained by the Operating Non-Federal Entity is re-assumed by the United States during the term of this Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to the Contractor a revised Exhibit [B] which shall include the portion of the Rates to be paid by the Contractor for Project Water under this Contract representing the O&M costs of the portion of such Project facilities which have been re-assumed. The Contractor shall, thereafter, in the absence of written notification from

the Contracting Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component(s) specified in the revised Exhibit [B] directly to the United States in compliance with Article 7 of this Contract.

CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

29. The expenditure or advance of any money or the performance of any obligation of the United States under this Contract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated or allotted.

BOOKS, RECORDS, AND REPORTS

30. (a) The Contractor shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Contract, including: the Contractor's financial transactions, water supply data, and Project land and right-of-way agreements; water use data; and other matters that the Contracting Officer may require. Reports thereon shall be furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer may require. Subject to applicable Federal laws and regulations, each party to this Contract shall have the right during office hours to examine and make copies of the other party's books and records relating to matters covered by this Contract.

(b) Notwithstanding the provisions of subdivision (a) of this Article, no books, records, or other information shall be requested from the Contractor by the Contracting Officer unless such books, records, or information are reasonably related to the administration or performance of this Contract. Any such request shall allow the Contractor a reasonable period of time within which to provide the requested books, records, or information.

(c) At such time as the Contractor provides information to the Contracting Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided to the

Operating Non-Federal Entity.

ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

31. (a) The provisions of this Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest therein shall be valid until approved in writing by the Contracting Officer.

(b) The assignment of any right or interest in this Contract by either party shall not interfere with the rights or obligations of the other party to this Contract absent the written concurrence of said other party.

(c) The Contracting Officer shall not unreasonably condition or withhold approval of any proposed assignment.

SEVERABILITY

32. In the event that a person or entity who is neither (i) a party to a Project contract, nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an association or other form of organization whose primary function is to represent parties to Project contracts, brings an action in a court of competent jurisdiction challenging the legality or enforceability of a provision included in this Contract and said person, entity, association, or organization obtains a final court decision holding that such provision is legally invalid or unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final court decision identify by mutual agreement the provisions in this Contract which must be

revised and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time periods specified above may be extended by mutual agreement of the parties. Pending the completion of the actions designated above, to the extent it can do so without violating any applicable provisions of law, the United States shall continue to make the quantities of Project Water specified in this Contract available to the Contractor pursuant to the provisions of this Contract which were not found to be legally invalid or unenforceable in the final court decision.

RESOLUTION OF DISPUTES

33. Should any dispute arise concerning any provisions of this Contract, or the parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring any matter to Department of Justice, the party shall provide to the other party thirty (30) days' written notice of the intent to take such action; Provided, That such notice shall not be required where a delay in commencing an action would prejudice the interests of the party that intends to file suit. During the thirty (30) -day notice periods, the Contractor and the Contracting Officer shall meet and confer in an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or abridge any right or remedy that the Contractor or the United States may have.

OFFICIALS NOT TO BENEFIT

34. No Member of or Delegate to Congress, Resident Commissioner, or official of the Contractor shall benefit from this Contract other than as a water user or landowner in the same manner as other water users or landowners.

CHANGES IN CONTRACTOR'S SERVICE AREA

35. (a) While this Contract is in effect, no change may be made in the Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.

(b) Within thirty (30) days of receipt of a request for such a change, the Contracting Officer will notify the Contractor of any additional information required by the Contracting Officer for processing said request, and both parties will meet to establish a mutually agreeable schedule for timely completion of the process. Such process will analyze whether the proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with the National Environmental Policy Act and the Endangered Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

FEDERAL LAWS

36. By entering into this Contract, the Contractor does not waive its rights to contest the validity or application in connection with the performance of the terms and conditions of this Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the terms and conditions of this Contract unless and until relief from application of such Federal law or regulation to the implementing provision of the Contract is granted by a court of competent jurisdiction.

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

1 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
2 year first above written.

3
4 **THE UNITED STATES OF AMERICA**

5
6
7
8 By: _____
9 Regional Director, Mid-Pacific Region
10 Bureau of Reclamation
11

12
13
14 **CITY OF TRACY**

15
16
17
18 By: _____
19 **City Manager**
20

21 Attest:

22
23
24
25 By: _____
26 Secretary

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

EXHIBIT A

[Map or Description of Service Area]

T.O. Draft 12/28/2003

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No. 14-06-200-7858A-LTR1

EXHIBIT B

[Initial Rates and Charges]